

Statement of

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United States Farm Bill

On behalf of the Colorado sheep industry, I appreciate this opportunity to discuss our nation's agricultural policy with the agriculture leadership of the U.S. House of Representatives.

I own and operate a 1000 head commercial ewe operation based in the Greeley area. We flush the ewes on alfalfa fields in the fall and utilize crop aftermath in the winter. The ewes start lambing mid-April and we start hauling them to spring pasture north of Fort Collins in mid-May. Our current spring grazing program started about six years ago as a larkspur control program for the Nature Conservancy and since then has expanded into controlling Dalmatian Toad Flax and Cheat Grass. This year we will begin a project using 200 head of ewes to perform vegetation management for the City of Fort Collins Open Space. Around the first of July we move the sheep to a Forest Service allotment north of Steamboat. The lambs are weaned around September 10th and the ewes are trucked back to the Front Range to restart the production cycle. Our operation has seen it's share of ups and downs, most notably, the loss of over 600 ewes overnight in the Blizzard of 2003 just 2 weeks prior to lambing season, a devastating loss by any account, a loss that would have been covered in most other industries. I am passionate about my belief that the U.S. Farm Bill has an opportunity to assist producers, even in dire situations.

That said, I am pleased to provide my thoughts on the priorities in the next Farm bill that will assist the sheep industry. The US sheep industry is comprised of 68,000 farm and ranch families producing lamb and wool in every state of the country. This industry provides half a billion dollars to the American economy and is a mainstay of many rural communities throughout the western United States.

Sheep producers have been aggressive and creative in their approach to national initiatives that strengthen the domestic industry. In 2005, the sheep industry approved a national referendum to continue our American Lamb Board checkoff program. This lamb promotion program is entirely funded by the industry. The American lamb board collects over \$2 million annually from sheep sales with producers, feeders and lamb companies all paying a share of the checkoff.

The American Wool Council launched a wool production, information and marketing program for American wool in early 2001. Our national initiatives have improved competition for American wool. International marketing programs have exposed U.S. wools to the world and exports have grown rapidly to over 60 percent of our annual production today. Total exports represented less than a third of production prior to our programs. We now sell into over eight international markets each year. In addition to expanding market opportunities for producers, the Wool Council has developed new fabrics and treatments for textiles with U.S. companies and America's armed services. We are proud to help provide clothing and uniforms for the men and women of our military - one fourth of our wool production is consumed by the U.S. military.

2004 and 2005 marked the first year to year growth in U.S. sheep inventory since 1987 – 1988. Industry growth improves competitiveness for all segments of the industry from lamb feeders to breakers, wool warehouses to wool mills, feed suppliers, trucking firms and shearing companies. The 2002 Farm bill programs have played a critical role in turning around the US sheep industry.

Current programs

The Wool Loan Deficiency (LDP) program provides the only safety net for producers in our business. **I encourage the Committee to re-authorize the wool LDP and at a base loan rate of \$1.20 per pound in order to provide the benefit of the program as intended.** Industry research by Food and Agriculture Policy Research Institute (FAPRI) and testimony by the American Sheep Industry Association documented a base loan rate of \$1.20 per pound; however, the legislation lowered the base to \$1.00 a pound with a cost score of \$20 million annually. The total payments for each of the 2002 through 2005 crop years is \$7.8 million, \$7 million, \$7.3 million, and \$6.2 million respectively. There is significant difference between the annual cost estimate and the actual payment total. While nine loan rates are available, essentially all wool LDP applications are in one non-graded rate category. It makes sense that the program be authorized at the base rate of \$1.20 per pound rather than \$1.00 in the current legislation to provide opportunity for all producers to participate in the program as intended.

Additionally, on the international wool marketing efforts, our industry actively participates in the USDA Foreign Market Development, Market Access Program and Quality Samples Program and encourages inclusion of these in the Farm bill.

As established in the 1996 Farm Bill in the Rural Development program of USDA, the National Sheep Industry Improvement Center provides loans and grants to business ventures for financing programs which normal commercial credit or funds were not available. **I urge the Committee to support re-authorization of the National Sheep Industry Improvement Center.** This program does not provide funds for individual producers nor purchase of sheep or land, but rather for projects to strengthen the sheep business including loans to wool warehouses, lamb slaughter and processing ventures, and wool processors. The Center has provided 56 loans to 38 entities in 21 states. The

total volume of dollars that have been loaned since 2000 totals approximately \$15.5 million. The Center has also made 58 grants equaling \$20,754,529.

The current growth of the U.S. sheep industry can in part be credited to the USDA retained ewe lamb program that was in effect for 2002 – 2004, and producers continue to voice support of this program. The incentive payment to producers to keep ewe lambs rather than sell them for slaughter, encouraged producers to expand breeding herds which, in the long run, will provide increased market lambs to help U.S. producers maintain and increase their share of the American meat case. **I urge the Committee to support reinstatement of the retained ewe lamb program.**

Future Programs

As the commodity markets become more global and the United States moves in the direction of global free trade, US agricultural policy must change to position American producers to compete profitably in this new environment. This requires action in two areas; first - implement a program to improve our competitiveness on the domestic front and second - push for and require aggressive reforms in those countries with barriers to free trade with the US. The United States has no barriers to lamb meat imports and as such has become the market of choice for lamb exporters from around the world. Lamb was never part of the Meat Import Law so other than the brief period of temporary restrictions in 1999 – 2001, lamb meat has been and is freely traded. However, the playing field is not equitable for U.S. sheep producers. One example is the European Union which continues to maintain strict and effective tariff rate quotas on lamb imports which in turn forces large export countries to dump lamb on the U.S.

The US sheep industry has four areas limiting our ability to compete in a global market.

1. Labor. The US sheep industry has to rely on unskilled labor from third world countries. We bring workers to the US on an antiquated H2A work Visa, a process that is encumbered with bureaucracy and red tape. If a worker decides to quit or jump the system and blend into the rest of the illegal work force in the US, it can take up to 6 months or longer to replace them. When you are in the middle of lambing season you need help tomorrow - not 6 months from tomorrow!

2. Predators. Predation is our second largest cost to production, destroying up to 20% of annual lamb production in some operations each year. As a western sheep producer told me... for every 4 bands of ewes, you will need to run an extra band to feed the predators. There is no manufacturing business in the country that can sustain the type of losses the sheep industry experiences and stay in business. It is unacceptable that the state and federal government who claim these predators do not effectively manage or take responsibility for the damage that they cause.

3. Disease. We have four major diseases that impact the US sheep industry. USDA has taken action to eradicate the first disease. The scrapie eradication program was

implemented 7 years ago. All the sheep that were born and retained in flocks that were infected with scrapie should have died from or exhibited clinical signs by now. This means that even without a live animal test all scrapie infected flocks should have been identified, but the reality is less than 50% of the infected flocks have been ID'd. Unfortunately this program is severely under funded and poorly managed. The second disease, Ovine Progressive Pneumonia (OPP), was found to exist in over 80% of the commercial range operations, with infection rates as high as 65% of ewes in some herds (Veterinary Services Center for Epidemiology and Animal Health, Dec 2003). This disease is the single largest factor in non-predatory death loss of mature ewes in most operations, and is a major factor in non-predatory predocking lamb losses. The third disease is Caseous Lymphadenitis (CL). This disease along with OPP shortens that productive life span of the average ewe by a good 2 years, with CL being the single largest cause of condemnation of cull ewes at slaughter. The fourth disease that has become a major problem within the last several years is measles. This is becoming a significant reason for condemnation of lambs at slaughter. Caseous Lymphadenitis and measles are diseases that through education and a little research the industry can solve on its own. However, because there is no vaccine for OPP and the prevalence is so high the only way to eradicate the disease is through culling. Unfortunately if we culled every infected ewe tomorrow we would cripple the industry to the point of collapse.

4. Government regulations. The Endangered Species Act, National Environmental Policy Act, Clean Air Act, and Clean Water Act, just to name a few, while having good intentions have unintended negative consequences. I will not go into detail on these items as the farm bill can not bring common sense to these statutes; however you as House members can reform this legislation to maintain the intent and yet protect agriculture. It goes without saying (but I will anyway), that these regulations impose additional cost to our operations and put limitations on potential production practices that could improve efficiency and reduce labor requirements.

The two largest exporters of lamb to the United States are not encumbered with these restrictions. New Zealand doesn't have predators and the Australian government controls their predators. For example 1080 was banned in the US in the early 1970's but is widely used in Australia. This actually points out the major flaw in so called free trade. The United States may broker free trade agreements with other countries (i.e. NAFTA and CAFTA) but if those countries don't have the same restrictions on productions(i.e. work conditions, use of pesticides, mandatory government inspections), then it puts American producers at a disadvantage.

The sheep industry needs a comprehensive program within the farm bill to address the two limitations that are within its scope. **To address the labor issue we need a cost share program to provide assistance in facility construction or modification to reduce our need for labor (i.e buildings, feeding systems, fencing).** During the late 1990's, under the 201 trade remedies we did have a cost share for facilities and equipment but it only lasted 1 year and the year was half over by the time the details of the program were worked out. I was able to participate in this program on a limited basis and put together a simple water system in my lambing shed that reduced my lambing

labor requirements by 1 person. **The second and most important part needs to be a serious disease eradication program.** By eradicating the aforementioned diseases we could reduce our labor requirements, increase ewe productivity and add \$10 dollars per ewe to our bottom line. **We need a cost share program to cover up to \$20 per ewe to assist in covering the cost of testing and identification.** In order to determine that a ewe is OPP free, she needs three negative tests. The testing can cost up to \$10 per head, which means to identify an OPP negative sheep, it can cost up to \$30. Because the incidence rate in some herds is so high they can't afford to cull all infected sheep, thus the need to maintain separate groups of sheep, selecting replacements from the negative group and over a 5 year period allow natural culling to remove the infected sheep from the flock. The use of radio frequency identification tags to identify all animals can dramatically reduce labor requirements and eliminate errors in records. Incorporating this technology into such a program would introduce producers to the potential of this technology, to increase production efficiency and reduce labor requirements. The participation in a disease eradication program should be mandatory to receive federal disaster assistance. For example, during the severe drought that we experienced here in Colorado 2 years ago, we did qualify and receive a \$4 dollar per head payment to help alleviate the impact of the drought which we greatly appreciated. Unfortunately a lot of producers had to reduce flock numbers anyway. If this type of program had been in place prior to the drought, these producers could have identified and culled infected sheep at that time, instead producers culled their older sheep and today we have the same level of infection, and it is still costing the industry money.

In order for new people to get into the sheep business, we need an overhaul of the federal guarantee loan program to simplify the process so that private lending institutions who actually provide the loans can understand the process and are not encumbered with an inordinate amount of paper work and bureaucracy, and so young people can get the financial backing to start a new business.

We need a risk insurance program so that when producers are impacted by catastrophic events that result in the loss of large numbers of livestock (i.e. blizzards, drought, natural disasters), they are not put out of business. It is unreasonable that this type of insurance program is available for crops (Hail Insurance) but not livestock, to protect producers in the event of catastrophic loss.

Future programs need to be goal oriented and not subject focused. They need to provide stability for current producers who make up the base of our industry, and opportunity for new producers to expand our industry.

For the security of this country and to maintain our place as a "SuperPower", we need a healthy and prosperous agricultural industry to feed our country and not reliance on a foreign country for our next meal.

Thank you.